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BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT
OF THE STATE OF CALIFORNIA

In the Matter of THE COMMISSIONER OF BUSINESS OVERSIGHT,)	BD/IA File No. 913-2935
)	
Complainant,)	ACCUSATION
v.)	
)	
EQUINOX SECURITIES, INC., STEPHEN MICHAEL OLIVEIRA,)	
)	
Respondents.)	
)	
)	
)	

1 Jan Lynn Owen, the Commissioner of Business Oversight (“Commissioner”), alleges and
2 charges as follows:

3 **I**

4 **Jurisdiction and Venue**

5 1. The Commissioner brings this action to revoke the broker-dealer and investment
6 adviser certificates previously issued to Respondent Equinox Securities, Inc. (“Equinox”) pursuant to
7 Corporations Code sections 25212 and 25232, and to bar Respondent Stephen Michael Oliveira
8 (“Oliveira”) under the provisions of Corporations Code sections 25213 and 25232.1, and the rules
9 and regulations promulgated thereunder.

10 2. The Commissioner, as head of the Department of Business Oversight (“Department”),
11 is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968 (Corp.
12 Code, § 25000 et seq.) and the regulations promulgated under title 10 of the California Code of
13 Regulations (Cal. Code Regs., tit.10, § 260.000 et seq.).

14 **II**

15 **Statement of Facts**

16 3. Equinox is a broker-dealer and investment adviser firm registered with the Department
17 since April 23, 2008 and June 17, 2009, respectively. Equinox was also a member of the Financial
18 Industry Regulatory Authority (“FINRA”)¹ since April 22, 2008. The firm is a wholly owned
19 subsidiary of Equinox Capital Holdings, Inc., a holding company owned by Oliveira and his wife.
20 Equinox’s principal office is located at 1776 Park Ave., Suite 101, Redlands, California 92374.

21 4. Oliveira, at all relevant times, served as the president, chief compliance officer, and
22 registered broker-dealer representative of Equinox.

23 5. On July 28, 2015, FINRA filed a complaint against Equinox and representative Chris
24 Palkowitsh (“Palkowitsh”) for engaging in a manipulative, deceptive and fraudulent scheme by
25 churning customer accounts. The complaint alleged that from November 2008 through June 2012,
26

27 ¹ FINRA is a non-governmental organization, authorized by Congress to regulate member brokerage firms and exchange
28 markets. FINRA is the successor to the National Association of Securities Dealers, Inc. and the member regulation,
enforcement and arbitration operations of the New York Stock Exchange.

Equinox and Palkowitsh excessively traded and churned six customers' accounts (a total of eight accounts). Palkowitsh typically charged a \$75.00 commission for each transaction, and he repeatedly executed transactions that had minimal principal amounts of between \$100.00 and \$300.00. The result was hundreds, sometimes thousands of transactions in each account, huge aggregate amounts of commissions, annualized cost to equity ratios that exceeded 100 percent, and collective losses that exceeded \$800,000.00. After the customers sustained substantial losses, Palkowitsh placed their remaining equity at risk by concentrating each account in a low-priced security. The complaint also alleged that Oliveira reviewed each transaction and was aware of the misconduct but rejected any responsibility to intercede and stop the harm. As a result of its conduct, Equinox violated numerous NASD and FINRA Rules, and willfully violated section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5.

6. On April 27, 2016, Equinox signed an Offer of Settlement with FINRA, effective May 11, 2016. Equinox was expelled from FINRA membership for the excessive trading of, and quantitatively unsuitable recommendations by Palkowitsh under the doctrine of respondeat superior, in violation of NASD Rules 2310, 3010 and 2110 (for transactions occurring before December 15, 2008), FINRA Rule 2010 (for transactions occurring on or after December 15, 2008); and for willfully violating Section 10(b) of the Exchange Act, Exchange Act Rule 10b-5, NASD Rules 2120 and 2110 (for transactions occurring before December 15, 2008), and FINRA Rules 2020 and 2010 (for transactions occurring on or after December 15, 2008) by engaging in a manipulative, deceptive and fraudulent scheme by churning the customer accounts.

7. On April 27, 2016, Oliveira signed an Offer of Settlement with FINRA, effective May 11, 2016. Oliveira was barred from association with any FINRA member in a principal capacity for violating NASD Rules 3010 and 2110 (for conduct occurring before December 15, 2008) and FINRA Rule 2010 (for conduct occurring on or after December 15, 2008) by failing to adequately supervise Palkowitsh, and by failing to establish, maintain and enforce a supervisory system and written supervisory procedures that were reasonably designed to achieve compliance with applicable

1 securities laws and regulations. In addition, Oliveira was suspended from association with any
2 FINRA member in any capacity for one year and fined \$25,000.00.

3 8. On May 30, 2016, the Commissioner's staff telephoned Oliveira at the number listed
4 on the Form ADV² to schedule an appointment to conduct a routine regulatory examination of
5 Equinox, but the outgoing voicemail was for another firm, it was not for Equinox or Oliveira.
6 Subsequently, an email was sent to Oliveira on May 31, 2016, but the email was returned as
7 undeliverable. Finally, a letter dated May 31, 2016 was sent to Oliveira and Equinox at the Redlands
8 location to coordinate a date for the regulatory examination. To date there has been no
9 communication from Equinox or Oliveira.

10 **III**
11 **The Broker-Dealer and Investment Adviser Certificates**
12 **of Equinox Should be Revoked**

13 9. Corporations Code section 25212, in relevant part, provides:

14 The commissioner may, after appropriate notice and opportunity for
15 hearing . . . revoke the certificate of, any broker-dealer if the
16 commissioner finds that the censure, denial, suspension, or revocation
17 is in the public interest and that the broker-dealer, whether prior or
18 subsequent to becoming a broker-dealer, or any partner, officer,
19 director, or branch manager of the broker-dealer, whether prior or
20 subsequent to becoming associated with the broker-dealer, or any
21 person directly or indirectly controlling the broker-dealer, whether prior
22 or subsequent to becoming such, or any agent employed by the broker-
23 dealer while so employed has done any of the following:

24 . . .

25 (d) Is or has been subject to . . . (2) any order of any national securities
26 association or national securities exchange (registered under the
27 Securities Exchange Act of 1934) suspending or expelling that person
28 from membership in the association or exchange or from association
with any member thereof, or (3) any other order of the commission or
any administrator, association, or exchange referred to in this
subdivision which is or has been necessary for the protection of any
investor.

(e) Has willfully violated any provision of the Securities Act of 1933,
the Securities Exchange Act of 1934, the Investment Advisers Act of

² Form ADV is the uniform form used by investment advisers to register with both the Securities and Exchange Commission and state securities regulators.

1 1940, the Investment Company Act of 1940 . . . or of any rule or
2 regulation under any of those statutes, or any order of the commissioner
3 which is or has been necessary for the protection of any investor.

4 10. Corporations Code section 25232, in relevant part, provides:

5 The commissioner may, after appropriate notice and opportunity for
6 hearing . . . revoke the certificate of, an investment adviser, if the
7 commissioner finds that the . . . revocation is in the public interest and
8 that the investment adviser, whether prior or subsequent to becoming
9 such, or any partner, officer or director thereof or any person
10 performing similar functions or any person directly or indirectly
11 controlling the investment adviser, whether prior or subsequent to
12 becoming such, or any employee of the investment adviser while so
13 employed has done any of the following:

14 . . .

15 (d) Is or has been subject to . . . (2) any order of any national securities
16 association or national securities exchange (registered under the
17 Securities Exchange Act of 1934) suspending or expelling him or her
18 from membership in that association or exchange or from association
19 with any member thereof, or (3) any other order of the commission or
20 any administrator, association, or exchange referred to in this
21 subdivision which is or has been necessary for the protection of any
22 investor.

23 (e) Has willfully violated any provision of the Securities Act of 1933,
24 the Securities Exchange Act of 1934, the Investment Advisers Act of
25 1940, the Investment Company Act of 1940, the Commodity Exchange
26 Act, or Title 4 (commencing with Section 25000), including the
27 Franchise Investment Law, Division 5 (commencing with Section
28 31000), or the California Commodity Law of 1990, Division 4.5
(commencing with Section 29500), or of any rule or regulation under
any of those statutes, or any order of the commissioner which is or has
been necessary for the protection of any investor.

11. As discussed in paragraph 6. above, effective May 11, 2016, FINRA expelled Equinox
from FINRA membership for violating NASD Rules 2310, 3010 and 2110 (for transactions occurring
before December 15, 2008), FINRA Rule 2010 (for transactions occurring on or after December 15,
2008, willfully violating Section 10(b) of the Exchange Act, Exchange Act Rule 10b-5, NASD Rules
2120 and 2110 (for transactions occurring before December 15, 2008), and FINRA Rules 2020 and
2010 (for transactions occurring on or after December 15, 2008). Accordingly, the Commissioner has

1 grounds to revoke the broker-dealer and investment adviser certificates of Equinox under
2 Corporations Code sections 25212, subdivisions (d) and (e), and 25232, subdivisions (d) and (e).

3 IV

4 **Oliveira Should be Barred from Any Position of**
5 **Employment Management or Control of Any Broker**

- 6 12. Corporations Code section 25213 provides:

7 The commissioner may, after appropriate notice and opportunity for
8 hearing . . . bar from any position of employment, management or
9 control of any broker-dealer or investment adviser, any officer,
10 director, partner, agent, employee of, or person performing similar
11 functions for, a broker-dealer, or any other person, if the commissioner
12 finds that the censure, suspension, denial, or bar is in the public interest
13 and that the person has committed any act or omission enumerated in
14 subdivision (a), (e), (f), or (g) of Section 25212 or has been convicted
15 of, or pled nolo contendere to, any offense or been held liable in any
16 civil action specified in subdivision (b) of Section 25212, or is enjoined
17 from any act, conduct or practice specified in subdivision (c) of Section
18 25212 or is subject to any order specified in subdivision (d) of Section
19 25212.

- 20 13. Corporations Code section 25212, in relevant part, provides:

21 (d) Is or has been subject to . . . (2) any order of any national securities
22 association or national securities exchange (registered under the
23 Securities Exchange Act of 1934) suspending or expelling that person
24 from membership in the association or exchange or from association
25 with any member thereof, or (3) any other order of the commission or
26 any administrator, association, or exchange referred to in this
27 subdivision which is or has been necessary for the protection of any
28 investor.

14. Corporations Code section 25232.1

22 The commissioner may, after appropriate notice and opportunity for
23 hearing . . . bar from any position of employment, management or
24 control of any investment adviser, broker-dealer or commodity adviser,
25 any officer, director, partner, employee of, or person performing similar
26 functions for, an investment adviser, or any other person, if he or she
27 finds that the censure, suspension or bar is in the public interest and
28 that the person has committed any act or omission enumerated in
subdivision (a), (e), (f), or (g) of Section 25232 or has been convicted
of any offense or held liable in any civil action specified in subdivision
(b) of Section 25232 or is enjoined from any act, conduct or practice
specified in subdivision (c) of Section 25232 or is subject to any order
specified in subdivision (d) of Section 25232.

Conclusion

FINRA's order to expel Equinox from its membership for violations of NASD and FINRA Rules, and the willful violation of Securities and Exchange Act of 1934 and the rules promulgated thereunder provides grounds for the Commissioner to revoke the broker-dealer and investment adviser certificates of Equinox.

WHEREFORE, based on the foregoing, the Commissioner finds that it is in the public interest to revoke the broker-dealer and investment adviser certificates of Equinox Securities, Inc. under Corporations Code sections 25212, subdivisions (d) and (e), and 25232, subdivisions (d) and (e).

FINRA's order to bar Oliveira from association with any FINRA member in a principal capacity, suspending him from association with any FINRA member in any capacity for one year, and assessing a fine of \$25,000.00 against him for his deleterious conduct gives the Commissioner cause to bar Oliveira from any position of employment, management or control of any broker-dealer, investment adviser, or commodity adviser.

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1 WHEREFORE, based on the foregoing, the Commissioner finds that it is in the public interest
2 to bar Oliveira from any position of employment, management or control of any broker-dealer,
3 investment adviser, or commodity adviser under Corporations Code sections 25213 and 25232.1,
4 subdivisions (d) and (e).

5 Dated: September 23, 2016

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7 JAN LYNN OWEN
8 Commissioner of Business Oversight

9 By: _____
10 MARLOU de LUNA
11 Senior Counsel
12 Enforcement Division
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